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SUBJECT: NOMINATION FOR CORPORATE EXCELLENCE AWARD: AES
BARKA

REF: STATE 64726

Summary

1. Embassy Muscat is pleased to nominate AES Barka for the Secretary's 2006 Award for Corporate Excellence. AES Barka's

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pivotal role in meeting Oman's increased electricity and water demands through private sector generation, and its strong commitment to corporate governance, community service and security, development of local talent, and protection of Oman's environment, make this company the right choice for the 2006 Corporate Excellence Award. End Summary.

Bringing More Power and Water to Oman

2. In 1996, the Omani government established a policy of increasing electricity and water production through private sector construction of power and water desalination plants. In 2000, AES Barka, a consortium of Arlington, Virginia-headquartered AES Corporation and Omani-based Multitech, LCC, a division of Suhail Bahwan Company, won a government tender to construct a 427 megawatt power and 20 million gallons per day water desalination plant in Barka, a community located approximately 60 km northwest of Muscat. Under a 15-year Build, Own, Operate (BOO) contract with the government, AES Barka initiated power and water production on June 11, 2003. Since then, the plant has achieved a 99% reliability factor in generating 2,747 gigawatt hours of electricity and 27.7 million cubic meters of water per year.

Eye for Corporate Governance

3. Reflecting the value system of its U.S. parent, AES Barka places a strong emphasis on good corporate governance. The company's CEO reviews this commitment with plant tour participants during each of his welcome presentations. AES Barka has also published a code of business conduct and ethics that guides all employees on such topics as legal and regulatory compliance, conflicts of interest, public disclosure, protection of information, government interaction, and environment, health, and safety standards. The company enjoys solid working relationships with the electricity regulator, and with officials from the Power and Water Procurement Company, Ministry of Housing, Electricity, and Water, and the Ministry of Regional Municipalities, Environment, and Water Resources.

Involved in the Community

4. AES Barka is an exemplary corporate citizen. Recognizing the impact the new power and water desalination plant would have on its host community, the company financed the installation of street lights along 7 kilometers of roadway leading to the plant, mitigating a potentially dangerous situation caused by increased traffic flows. AES has also been involved in other road improvement projects, including the paving of a thoroughfare in the town of Barka.

5. In addition, AES has been actively involved in upgrading the facilities and equipment in local schools. For example, AES Barka financed the installation of a water well for one local school, donated computers to several others, and purchased sun shade covers for school playgrounds. AES Barka has also constructed six housing units for low-income families and purchased wheelchairs to fill a critical need area for a local disability center.

6. Finally, AES Barka has taken a strong interest in the security of the community. AES Barka's CEO has volunteered to serve on the Executive Working Group of Muscat's newly

forming Overseas Security Advisory Council (OSAC), and maintains open lines of communication with the Royal Oman Police and the Embassy's Regional Security Office.

Investing in Human Resources

17. In keeping with one of the Omani government's most important economic development priorities, AES Barka has been strongly committed to developing its Omani human resources. In September 2004, the company initiated an annual trainee program aimed at preparing recent Omani college and technical school graduates for employment in the power generation field. Working with the Ministry of Manpower, AES Barka formulated a one-year program that combines three months of classroom training with hands-on plant operations experience under the supervision of a mentor. Nine participants have since completed the program.

18. To complement this initiative, AES Barka also established an apprenticeship program in association with Sultan Qaboos University, the Sultanate's premier higher education institution. Using a similar format, AES Barka accepts four students during school term recesses to further their understanding of plant operations. Both of these programs support AES Barka's commitment to recruit qualified Omanis, who now comprise 48% of the company's operations and maintenance workforce, well ahead of projected Omanization targets.

19. AES Barka also strives to provide a safe workplace environment for its employees. The company finished 2005 without a single workplace accident, representing 165,099 worker-hours. Overall, the plant's employees have logged over 400,000 hours without a lost-time accident, the result of collaborative efforts to attend safety meetings, conduct safety walks, and rectify potential safety hazards.

Mindful of the Environment

110. AES Barka is committed to producing power and water in a safe, clean manner. For example, the company uses low sulfur Omani natural gas for fuel. The plant's gas turbines also use a dry, low-NOx technology to control emissions, resulting in NOx emissions that were only 30% of the permitted value. Furthermore, AES Barka utilizes a continuous emissions monitoring system to measure real-time air quality, and monitors water discharge to ensure it meets environmental regulations. In short, government officials view the facility as a model for the implementation of a clean plant with the right technology.

111. AES Barka also undertook a project in 2005 to reduce waste production. The company installed a caustic liquid bulk storage tank in place of using solid caustic shipped in bags. As a result, the company will be able to reduce hazardous waste production of up to 12,000 waste bags annually.
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